

Verkkokauppa.com

Q2 2020

Finland's most popular webstore

24.7.2020 | Panu Porkka

Today's Agenda

- Key Figures Q2/2020
- Sales and Profitability Development
- Competitive Advantage's
- Market Outlook 2020
- Key Takeaways
- Q&A



Income Statement Q2

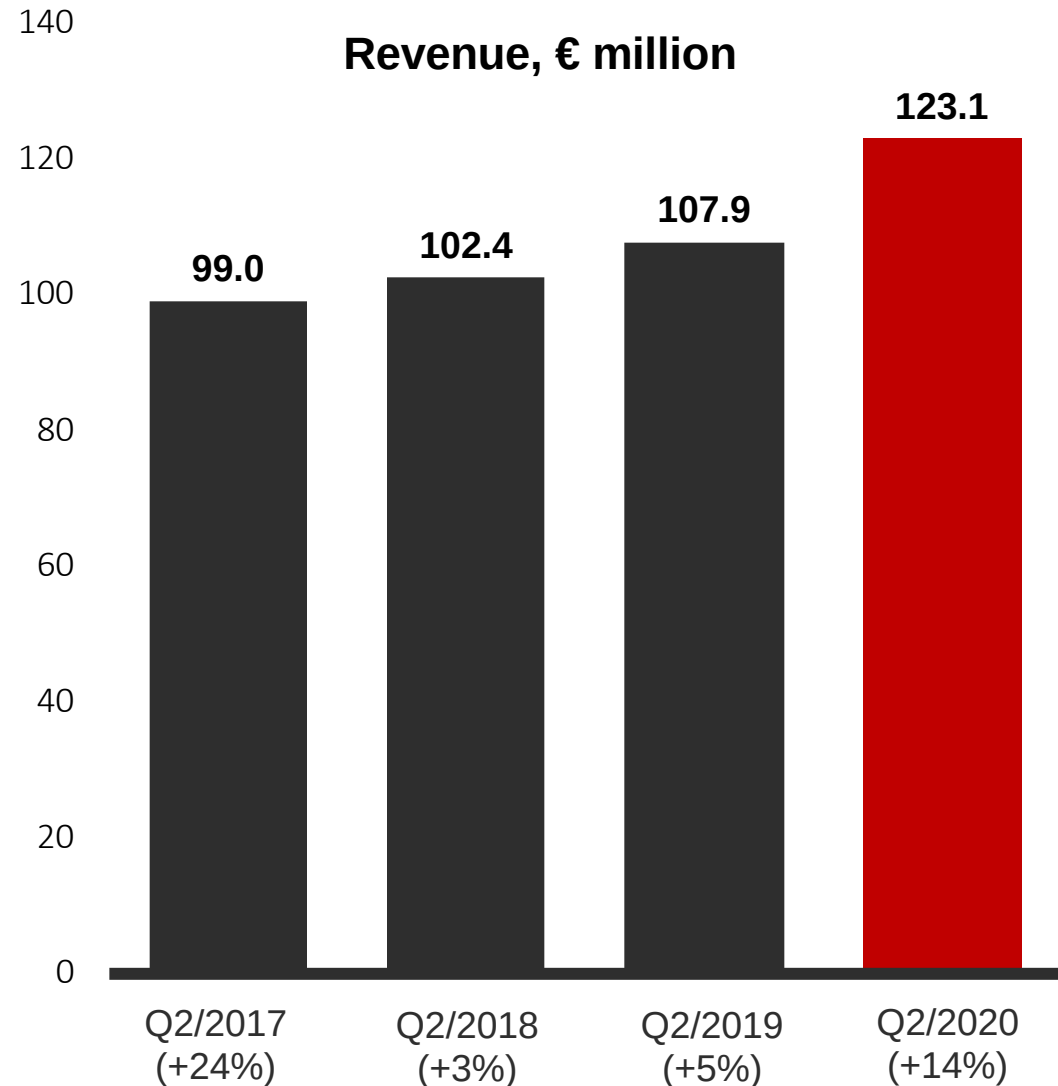
| EUR million | Q2/2020 | Q2/2019 | Change, % |
|---|---------|---------|-----------|
| Revenue | 123.1 | 107.9 | 14.1% |
| Gross profit | 21.4 | 15.3 | 39.7% |
| Gross margin | 17.4% | 14.2% | 22.4% |
| Personnel expenses | -8.4 | -8.1 | 3.7% |
| Other opex | -7.5 | -5.9 | 27.5% |
| Operating profit | 4.4 | 0.2 | 2,198% |
| Operating margin | 3.5% | 0.2% | 1,914% |
| Comparable operating profit | 4.8 | 0.2 | 2,446% |
| Comparable operating margin, % of revenue | 3.9% | 0.2% | 2,132% |
| Net profit | 3.3 | -0.2 | 2,243% |

- 26th consecutive growth quarter
- Record Operating profit, increase of +4.2meur
- Quarterly dividend of 0.054eur



Sales Development in Q2

- Sales channel development driven by strong web sales (web visitors Q2 +33%)
- During Q2 the number of new online customers grew by +39%
- Good availability and multiple delivery options meeting our customers' needs
- Strong performance in several evolving categories
 - BBQ&Cooking+50%, Sports +46%, Home&Lighting +45%, Food&Drink +37%, MDA +33%
- Headwind in Export and B2B due to COVID-19 impact and restrictions



Profitability Development in Q2

- Sales mix having a positive impact on margin
- Strong sales increase in higher margin categories
- Improved stock turnover
- Optimized online marketing to build up exposure and traffic



Balance Sheet & Cash Flow 30.6.2020

- Inventory **56.7** (52.9) million euros on
- Cash flow from operating activities 1-6/2020 **+1.0** (-13.4) million euros
- Investments 1-6/2020 were **0.7** (0.8) million euros
- Cash **34.9** (26.1) million euros
- Equity ratio **27.4%** (27.7%)
- Undrawn revolving credit facilities **20** million euros



2020 Guidance - *updated*

Revenue

€520m - €545m

(2019 €504m)

Comparable Operating profit

€13m- €18m

(2019 €11 m)

Prior guidance Revenue €510m-€530m and Comparable Operating profit €12m-€15m



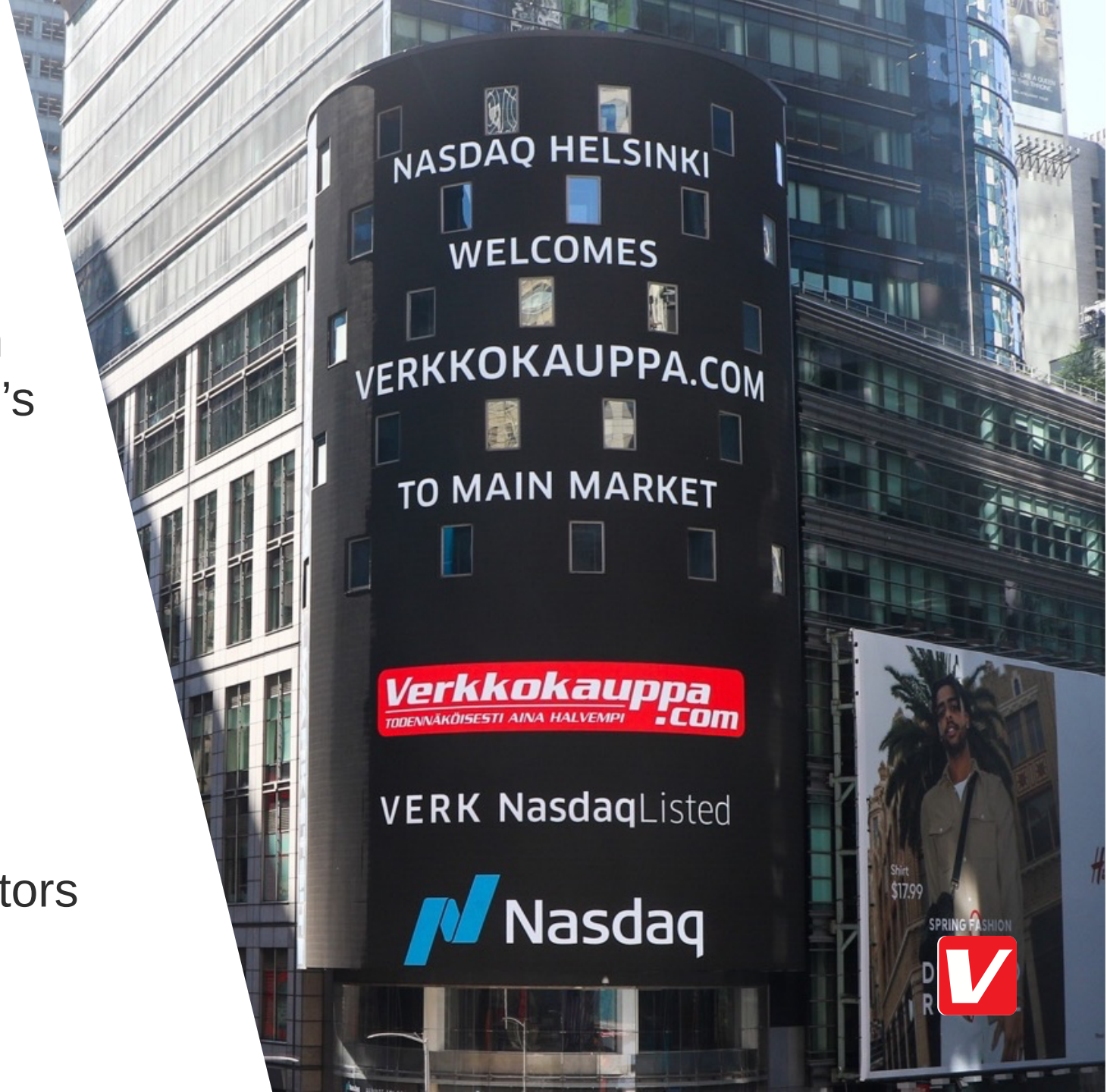
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Verkkokauppa.com's vision is to be
a Nordic leader in retail through
cost-efficiency, brand image, own
ecosystem and scalable business model



Nasdaq Helsinki

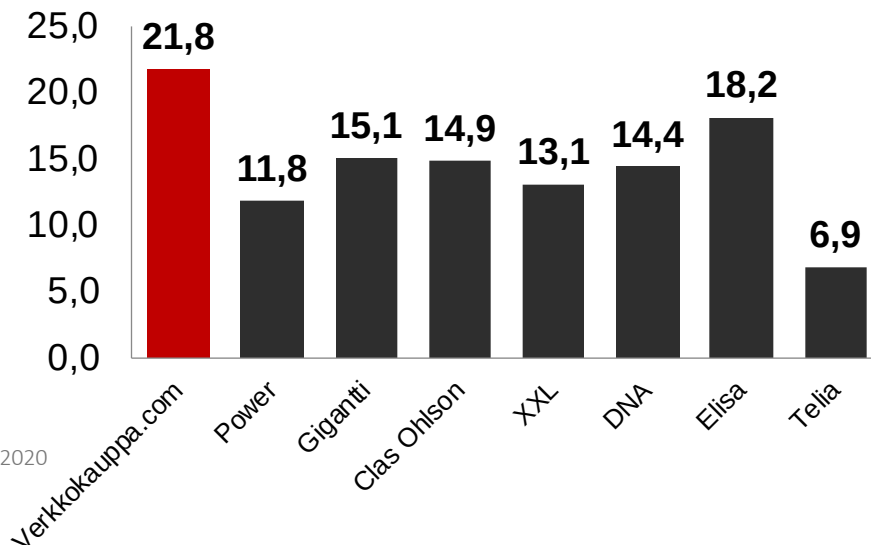
- June 5, 2020 Verkkokauppa.com shares listed on Nasdaq Helsinki's Official List
- Opportunity to reach new potential owners and develop company's awareness through Nasdaq Helsinki
- Better exposure for foreign investors



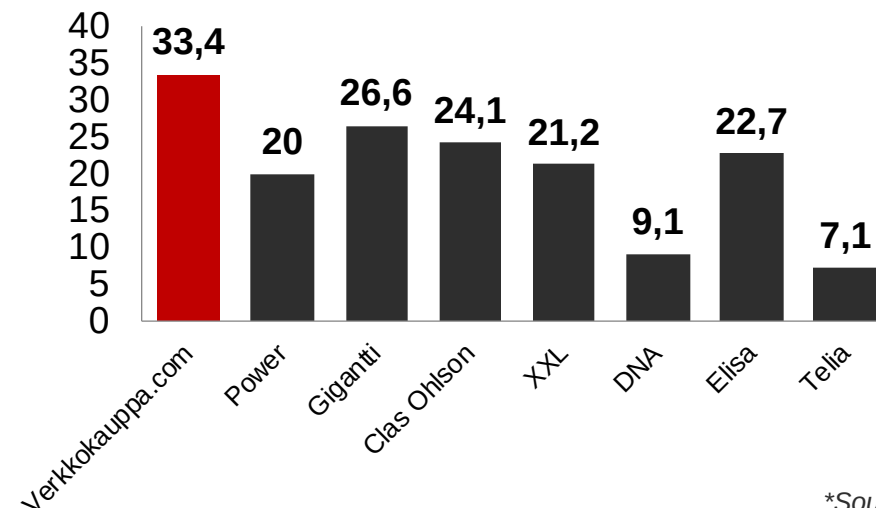
Strong Market Position in Changing Retail Landscape

- Best positioned brand in e-commerce in Finland, most visited website
 - 37 million visits during H1
- Cornerstone in Finnish retail, built to utilize changing environment and market situation
- Local hero ready for the Amazon opportunity leading into retail going online at a faster pace (price comparison, fast deliveries, local presence)

Buzz - Positive talk about brands
Net Score 3-6/2020*

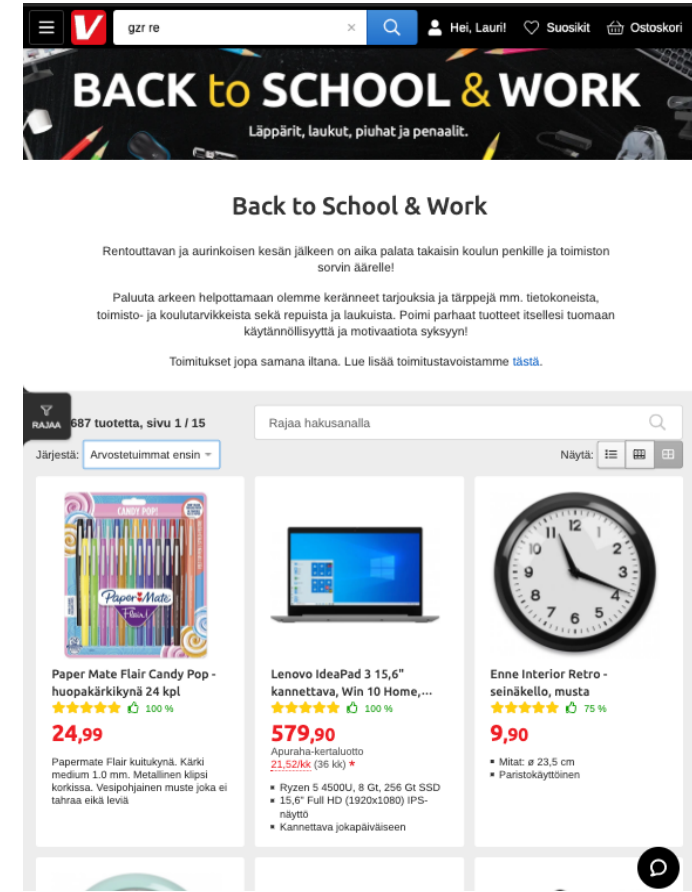
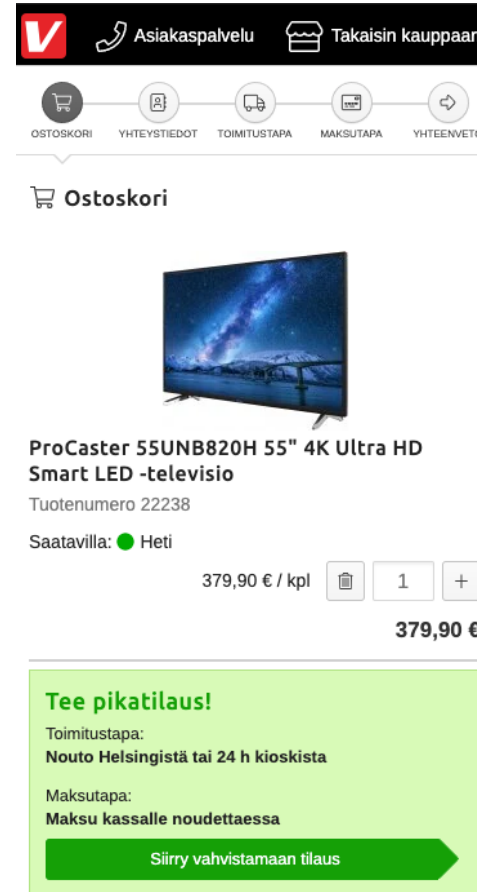


Which of the following brands would you recommend to a friend or colleague?
Net Score 3-6/2020*



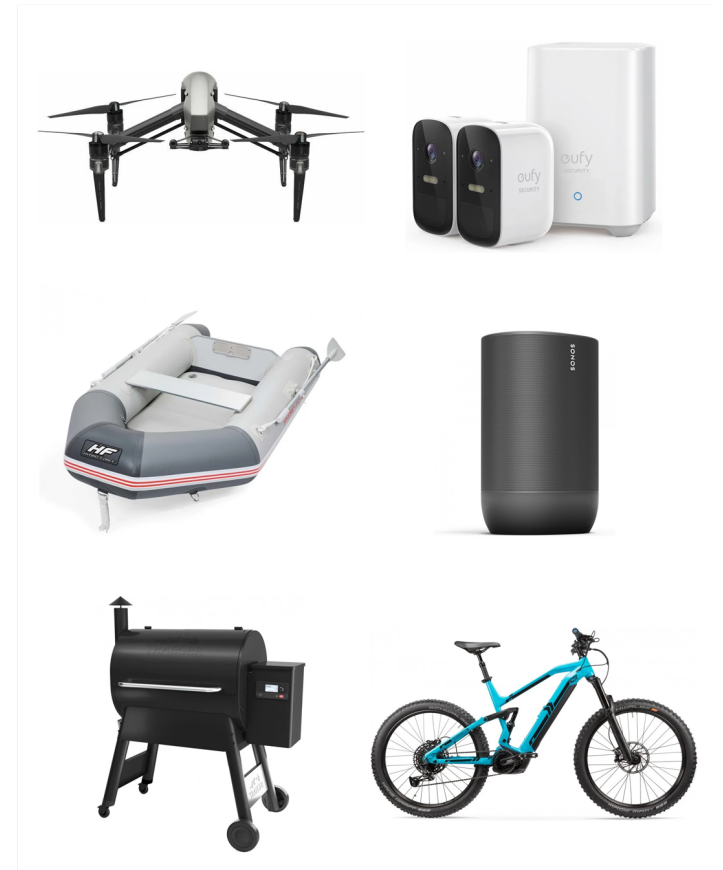
Fast and Seamless Customer Experience

- Search engine updated, wisdom of the crowd gives better results with fewer search words
- New Product Information system deployed improving search with more attributes
- New Customer Data Platform up and running for better customer segmentation
- Online Outlet store in beta, full launch during Q3
- New contactless 24/7 click & collect starting in Jätkäsaari during Q3



Wide Assortment and Best Availability

- Launch of cordless outdoor power tools in April
- Lots of new smaller categories and new brands added to the assortment
 - Jacuzzis, Minn Kota Trolling motors, Garden pools, E-scooters, Webasto charging stations, Sonos audio products, DJI Enterprise drones, Traeger pellet grills
- Search ongoing for new domestic partners and products to be sold on Verkkokauppa.fi



Development of Delivery Options

- Same day deliveries
 - 3h delivery price reduced from 39,99€ to 24,99€ in January
 - Same day delivery as a new option in great Helsinki area since January and in Tampere region since June (16,99€)→ +665% growth in same day deliveries during Q2
- Strong growth in demand of different delivery options during Q2
 - Home deliveries +96%
 - Deliveries to parcel lockers +66%



Key Development Priorities in 2020

- Maintaining safety, securing operations and reacting to changing market situation due to COVID-19
- Continuing **brand marketing** to increase awareness and top-of-mind to secure future growth and maximize opportunities
- Development of superior **product information** continues
- Keeping focus on **category-** and **supply chain management**
- Maintaining **low-cost operations** as key competitive advantage
- Securing strong **cash position** with **growing dividend**

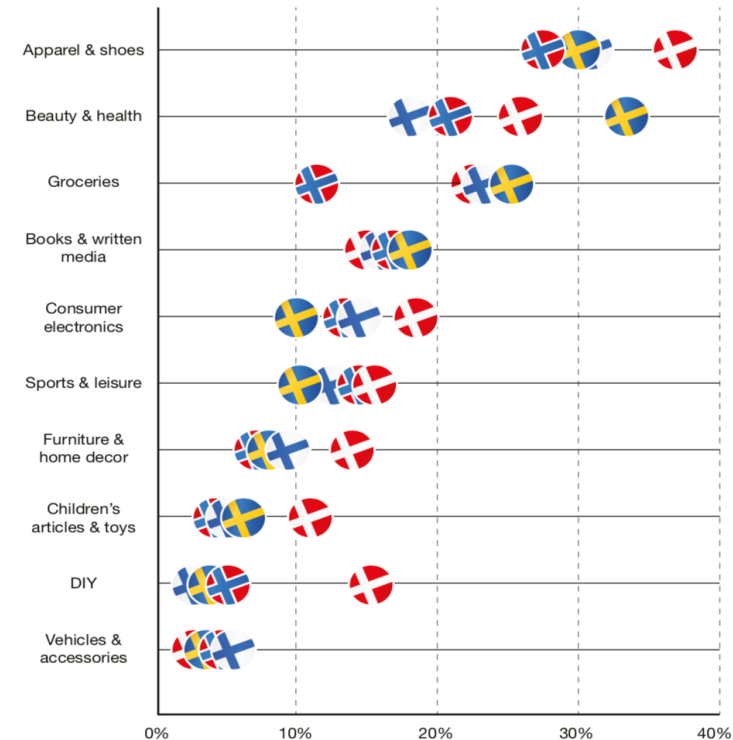


Market Outlook

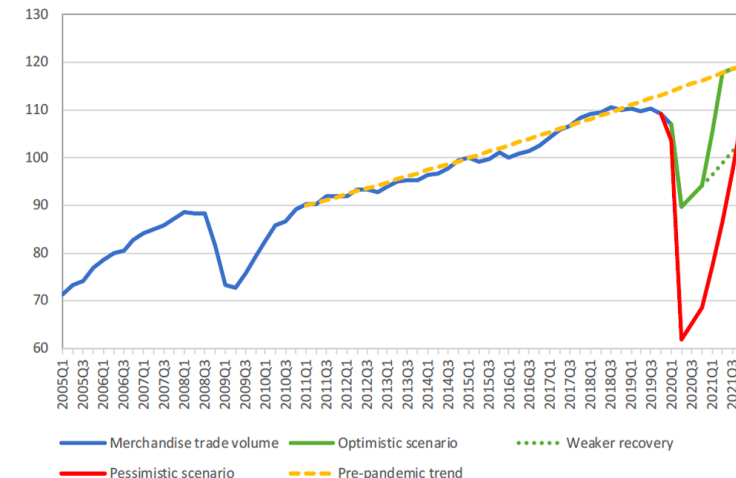


Market Development

- Shift to online can be seen in all Nordic countries
 - In Finland 67% have shopped online during the pandemic*
 - 35% of Finns have shifted to a higher share of online shopping during the pandemic*
 - 35% of online shoppers in Finland state that their shift to online is permanent*
- WTO forecasts relatively optimistic scenario in which the volume of world merchandise trade in 2020 would contract by 13%, and a pessimistic scenario in which trade would fall by 32%.**



Consumers who have shopped online in the previous two months
%, by category and country



World merchandise trade volume
Q1/2005-Q4/2021



Changing Consumer Behaviour



Retail going online

New customer groups
introduced to web
everyday



Fast and seamless experience

Mobility the first option for
most consumers



Multiple delivery options

Expectations for same
day and next day
delivery rapidly
increasing



Social responsibility

Support your local –
trend increasing

Key Takeaways

- Solid performance across all operation in H1
 - COVID-19 impacting consumer demand in several categories and shifting sales towards online
 - Improved category management for better product margins
 - Successful marketing for increased traffic and higher brand recognition
- Uncertainties regarding H2 due to market and COVID-19 development
 - Guidance updated for 2020 due to strong H1
 - Main listing done as one next step for the company
 - Financial situation secured for growing dividend and opens up opportunities for investments



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Apuraha-kertaluotto 94,06/kk (60 kk)



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www.verkinvest.com

Company Releases mailing list

www.joinverk.com

Company Investor Webcasts

www.verklive.com

Upcoming events in 2020

Q3/2020, Friday 23 October 2020



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